MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Six months Ended May 31, 2021 and 2020

This Management's Discussion and Analysis ("MD&A") relates to the financial position and financial performance of NeonMind Biosciences Inc. (formerly "Flourish Mushroom Labs Inc.") ("NeonMind") for the three and six months ended May 31, 2021 and May 31, 2020. All references to "us" "we" and "our" refer to NeonMind.

Except where otherwise indicated, the financial information contained in this MD&A was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with our unaudited condensed interim financial statements for the three and six months ended May 31, 2021 and May 31, 2020 and audited annual financial statements for the years ended November 30, 2020 and 2019 (collectively referred to as the "Financial Statements").

Financial information contained in this MD&A has been prepared on the basis that we will continue as a going concern, which assumes that we will be able to realize our assets and satisfy our liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon our ability to continue as a going concern.

We have recorded revenues of $4,534 and $12,649, incurred a net loss of $2,643,913 and $5,123,968, respectively, for the three and six months ended May 31, 2021, and used $3,597,599 of cash for operating activities during the six months ended May 31, 2021. As at May 31, 2021, we had working capital of $1,324,715 and an accumulated deficit of $11,005,352. Our continued operations are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when we can generate sufficient operating cash flows to pay for our expenditures and settle our obligations as they fall due is uncertain. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of these adjustments could be material.

The outbreak of the coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to our supply chain and operations. The COVID-19 pandemic has impacted and could further impact our operations and the operations of our suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. As a result of the pandemic, we experienced delays in our planned product launches. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on our suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on us, and is working on alternative measures and resources to minimize such impact. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, we can not reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

Except where otherwise indicated, all financial information is expressed in Canadian dollars.

CORPORATE OVERVIEW

We were incorporated under the laws of the province of British Columbia, Canada on September 18, 2019. We operate three divisions, (i) a pharmaceutical division engaged in drug development of psychedelic compounds, (ii) a consumer products division with a focus on non-psychoactive functional mushroom infused products, and (iii) a medical services division, which is in the planning stage, to offer drug enhanced psychotherapy services and other mental health treatments. We raised gross proceeds of approximately $4.7 million during the six months ended May 31, 2021 pursuant to an initial public offering ("IPO").

In our pharmaceutical division, we have two distinct psilocybin drug development programs targeting obesity. Psilocybin is a complex organic compound found naturally in a wide range of different species of mushrooms, known as psychedelic mushrooms ("Psilocybin"). Psychedelics are a hallucinogenic class of psychoactive drugs whose primary action is to trigger psychedelic experiences via serotonin 2A receptor agonism, causing specific psychological, visual and auditory changes, and altered states of consciousness. Our first drug candidate aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-

assisted cognitive therapy. The second drug candidate proposes low dose synthetic Psilocybin as a treatment to suppress appetite.

Our consumer division currently sells four NeonMind branded coffee products infused with non-psychoactive functional mushrooms which are used for their health-promoting properties ("Functional Mushrooms") in Canada through our direct-to-consumer e-commerce platform, and in June 2021, we launched our coffee products as dietary supplements in the United States of America (the "US").

Our medical services division is currently in development. We are assembling a team of experts to plan and launch a chain of healthcare clinics in Canada to offer various treatments for mental health tailored to local market needs including psychedelic enhanced therapy.

A more detailed description of our three divisions is found below.

Division I: Pharmaceutical Drug Development Division

Our Psilocybin Research Plan

While Psilocybin has extensive research data and supportive literature, moving it towards a "regulated medicinal product" is an essential path to commercialization.

The typical development roadmap to making a regulatory application for approval involves having completed a complex interconnected sequence of evaluations on the product's quality (CMC – chemistry, manufacture, and controls), preclinical efficacy, safety pharmacology and toxicology, preclinical and clinical pharmacological characterization and clinical dosing, safety and efficacy.

We are exploring Psilocybin as a treatment for weight loss and have begun preclinical studies at the University of British Columbia ("UBC") to evaluate Psilocybin's effectiveness. We engaged Translational Life Sciences Inc. ("TLS"), which is a contract research organization, to design our preclinical trials to examine Psilocybin as a potential treatment for obesity and weight management ("Preclinical Trials") and we engaged UBC to conduct our Preclinical Trials.

Our initial preclinical trial was completed in Q1 2021 and we initiated a second preclinical trial in Q2 2021 and expect to have complete results in Q4 2021.

We have two distinct Psilocybin drug development programs targeting obesity. Our first drug candidate (NEO-001) aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-assisted cognitive therapy. The drug candidate employs Psilocybin as an agonist to the serotonin receptor 5-HT2A, which is involved in the hallucinogenic effect of psychedelics.

The second drug candidate (NEO-002) proposes low dose synthetic Psilocybin as a treatment to suppress appetite and employs low-dose Psilocybin as an agonist to the 5-HT2C receptor, which controls appetite.

In March 2021 we engaged Certara to provide us with an integrated development plan and for strategic clinical pharmacology, toxicology, CMC, preclinical pharmacology, regulatory strategy and integrated drug development support, including expert leaders in therapeutics development with significant tenures in biotech, pharma research and development and the United States Food and Drug Administration (the "FDA") and the European Medicines Agency ("EMA"). Certara provides biosimulation software to transform traditional biopharmaceutical research and development with a scientific team that has more than 3,500 years of collective drug discovery and development experience. Certara has agreed to provide us with access to their experts in drug development strategy, due diligence, clinical pharmacology, regulatory science (including ex-FDA and EMA experts) and the full spectra of drug development subject matter experts across Certara. These experts will be available to support us in areas relating to the development of Psilocybin as a regulated medicinal product.

The Certara project proposal describes two specific areas that seek to create maximum value for NeonMind:

(i) Certara shall provide strategic evaluation and planning specifically, Certara will provide us with expert drug development advice to establish an integrated development plant for Psilocybin for the treatment of obesity; and

(ii) Certara shall offer development stewardship providing us with a world class virtual development team to support

the execution of Psilocybin for our treatment of obesity programs.

The strategic evaluation and planning stage follows a three-phase integrated due diligence evaluation approach that is applied over an eight-to-twelve-week time frame, which began in mid-March 2021.

In July 2021, our Research and Development Working Group completed an integrated drug development plan for our lead drug candidate targeting obesity, NEO-001, a high-dose psilocybin treatment coupled with behavior therapy and lifestyle intervention, which aims to improve the efficacy of chronic weight management in adults. We have identified a regulatory strategy, including a target indication and product profile that we believe will best position NeonMind as we advance our first lead candidate through development.

We are targeting a Pre-IND meeting with the FDA in Q4 2021 to confirm potential to expedite development via the appropriate regulatory pathway and a Pre-CTA Consultation Meeting with Health Canada during the same timeframe. NeonMind anticipates initiating a Phase 1/2 proof-of-concept study in obese patients in the first half of 2022.

Division II: Medical Services Division

Our medical services division is currently in development. We are assembling a team of experts to plan and launch a chain of NeonMind-branded specialty clinics in Canada. Working with health care communities and tailoring the services to local market needs, these clinics will offer evidence-backed innovative treatments for a variety of mental health needs including psychedelic modalities and other newer treatments for mood disorders such as depression.

Our go-to-market strategy may include partnerships with existing health clinics to offer NeonMind mental health services as well as standalone NeonMind clinics. The NeonMind clinic team will build an integrated services platform and comprehensive set of programs aimed at delivering specialized treatments combined with traditional modalities for a variety of mental health conditions and right-sized for local needs.

In Canada, ketamine and esketamine are currently the only psychedelic substances that may legally be prescribed and administered in medical clinics, but there is a large and growing pipeline of psychedelic drug development programs with clinical trials underway evaluating other substances including psilocybin. Importantly recent clinical trial results with psilocybin treatment are showing promise.

The platform will be designed to expand to increase offerings of drug-enhanced psychotherapies over time. NeonMind aims to gain an early-mover advantage, establish a strategic footprint, and have operations ready to accommodate a future surge from potential psychedelic drug approvals.

If additional psychedelic medicines are approved for use in Canada, we will evaluate them for use in clinics and, where appropriate, develop protocols to incorporate them into our therapeutic offering.

Division III: Consumer Products Division

In November 2020, we launched four Functional Mushroom infused coffees: two brewed coffees and two instant coffees and launched our direct-to-consumer eCommerce platform. We completed the formulas, designed packaging and labels in compliance with applicable regulations, ordered raw materials and packaging, and completed research and development with a GMP manufacturing facility including producing samples of each coffee for third-party nutritional analysis for labelling purposes. We plan to continue to manufacture our products through a co-packer. We obtain the raw ingredients for our products globally.

In June 2021, we launched a line of dietary supplements with Functional Mushroom infused coffees through our direct-to-consumer e-Commerce platform and plan to expand distribution through a retail chain outreach strategy in the US.

STRATEGIES AND ANTICIPATED MILESTONES

In the long term, we are focused on value creation through psychedelic drug development within unique indications for the treatment of obesity, compulsive eating disorder and as an aid to weight loss and its maintenance. Our preclinical signal supports the development of complementary psychedelic drug development plans with low and high dose Psilocybin.

In the near term, we are assembling research and development capabilities dedicated to creating a dossier of scientific evidence to support regulatory approval for these novel treatments that can positively impact millions of people.

Further, we established internal business development processes to identify and evaluate opportunities to develop or acquire research assets and/or complimentary business to diversify our offering of psychedelic solutions and footprint in mental health.

We have four core objectives for the near future:

1. **Plan** - establish a comprehensive integrated development plan in support of our two Psilocybin programs predicated upon our target product profiles and gap analysis to FDA/Health Canada requirements for new drug applications.

2. **Resource** - assemble talent and raise adequate capital to advance and accelerate our integrated development plan.

3. **Execute** - the "next steps" in developing Psilocybin for the treatment of obesity and to launch our first medical services clinic in Canada.

4. **Assemble** - evaluate and pursue opportunities to bolster our development pipeline and /or add complementary businesses in the psychedelic sector.

Having identified an attractive market opportunity to introduce specialty mental health clinics and provide ketamine treatment plus other traditional/innovative services adapted to local market needs, we are assembling an Advisory Board, clinical operations experts and mental health clinicians to launch this new business.

To achieve the broad business objectives set out above, we have established the following milestones:

Objective	Milestone Description	Timeframe for Completion (Fiscal quarters)
Advance Psilocybin Research Plan	Establish deal flow targets to bolster product development pipeline and identify opportunities for strategic alliances	Ongoing
	Finalize comprehensive integrated drug development program to define the research plans necessary to develop each of our two novel psychedelic therapeutics for obesity, weight loss and/or its maintenance	Q3 2021
	Assemble key documents to submit an IND (investigational new drug) to FDA and CTA (clinical trial application) to Health Canada	Q3 2021
	Completion of Psilocybin Preclinical Trials	Q4 2021
	Pre-investigational new drug (Pre-IND) meeting meeting with the FDA and CTA consultation meeting with Health Canada	Q4 2021
	Initiate Phase 1/2 proof-of-concept study in obese patients	H1 2022
Increase Revenues for Consumer Product Sales	Dietary Supplement launch in the US	Q3 2021
	Engage social media influencers to build a consumer base	Q3 2021
	Complete NHP application with Health Canada for expanded natural health product offering	Q1 2022
	Add clinical operations and psychiatric experts to our advisory team	Q3 2021

Launch Medical Services Division	Complete jurisdictional scan to select the right community and locations	Q4 2021
	Complete expert interviews to validate service gaps, identify and design mental health program offering	Q4 2021
	Launch the provision of medical services for mental health	Q2 2022

SELECTED ANNUAL INFORMATION

Management considers that the main indicators of our performance are the following: revenues, net income and loss, total assets, earnings/loss per share. The following information was derived from our unaudited condensed interim financial statements for the three and six months ended May 31, 2021 and May 31, 2020.

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
	$	$	$	$
Revenues	4,534	-	12,649	-
Net loss	2,643,913	494,557	5,123,968	812,270
Basic and diluted loss per share	0.02	0.00	0.06	0.01
Dividends declared and paid out	-	-	-	-

	May 31, 2021	May 31, 2020
	$	$
Total assets	2,357,676	1,850,414
Total liabilities	1,033,377	1,264,899

DEVELOPMENT OF BUSINESS

We completed our IPO, which was oversubscribed, and the broker exercised their full over-allotment issuance, and our common shares were listed on the Canadian Securities Exchange under the ticker symbol "NEON". We raised funds from the IPO in the gross amount of $4,600,000.

On January 18, 2021, our common shares were listed on the Frankfurt Stock Exchange. Our common shares are currently trading on the OTC Pink Sheets under the ticker symbol “NMDBF” and we have completed an application for our common shares to be quoted on the OTCQB.

On March 2, 2021, announced proprietary data from our initial Preclinical Trial at UBC demonstrating that both low and high dose psilocybin successfully reduced weight gain within 5 days in an animal model.

From January to March 2021, we added significantly to our drug development team with six expert consultants across North America experienced in the areas of therapeutic drug development, Psilocybin research, eating disorders and obesity research and treatment, drug manufacturing, business development and product development.

In February 2021, we purchased an initial order of GMP (good manufacturing practices as mandated by Canadian regulations) grade psilocybin from Psygen Labs Inc. for our planned phase 2 human clinical trial expected to begin in Q2 2022.

In March 2021 we engaged Certara, a global leader in model-informed drug development, to provide strategic integrated drug development support for the investigation of our Psilocybin based drug candidates for the treatment of obesity and to provide us with an integrated development plan.

In April, we announced a New Specialty Clinics Division for the delivery of evidence-backed innovative treatments for a variety of mental health needs. This will include psychedelic modalities and other newer treatments for mood disorders such as depression.

We appointed Ernie Ho, VP, Corporate Development with his initial focus to be the development of the team to build out medical services as well as to identify and assess partnership and acquisition targets.

In May 2021, we formed a Specialty Medical Clinic Advisory Board to guide the planning and operation of NeonMind branded clinics across Canada. Members of the advisory board will be composed of experts on provincial and local health care access and advocacy, ketamine treatment and psychotherapy protocols, and clinical operations, strategy, and growth.

In June 2021, we finalized target product profiles, establishing optimal and minimally acceptable profiles for a successful program considering medical needs, differentiation strategy, target use and access to medicine strategy.

In the consumer products division and in mid-November 2020, we launched four mushroom infused coffee products in Canada through our ecommerce website. We generated revenue from product sales of $4,534 and $12,649 during the three and six months ended May 31, 2021, respectively. We did not generate any revenues from product sales for the same periods of the prior year. On June 29, 2021, our line of functional mushroom coffee products was launched in the US as dietary supplements via our direct-to-consumer website.

OVERALL PERFORMANCE

For the three and six months ended May 31, 2021, we recognized total revenue of $4,534 and $12,649 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees from our Consumer Products Division, which were launched through ecommerce in November 2020. Our Pharmaceutical Drug Development Division and Medical Services Division are in a research and development stage and did not generate revenues.

For the three and six months ended May 31, 2021, we incurred a net loss of $2,643,913 and $5,123,968 respectively. The losses were primarily driven by research and operating expenses and costs relating to our IPO.

Expenses before other items amounted to $2,731,503 and $5,174,999 for the three and six months ended May 31, 2021 as compared to $485,405 and $803,118 for the same periods of the prior year. Expenses primarily consisted of share-based compensation of $1,056,227 and $1,816,151, marketing, publicity and digital media expenses of $836,216 and $1,639,657, medical research and development expenses of $171,358 and $439,037, and professional fees of $134,672 and $362,154, for the three and six months ended May 31, 2021, respectively. Expenses primarily consisted of share-based compensation of $201,647 and $389,506, consulting fees of $140,626 and $177,376, for the three and six months ended May 31, 2020, respectively. The increase in operating expenses in the current period was due to the fact that we were more active in our day-to-day operations compared to the prior year.

ADJUSTED EBITDA

Adjusted EBITDA, a measure used by management to indicate operating performance, is defined as earnings before interest, taxes, depreciation and amortization, excluding certain non-operating amounts as shown below. Adjusted EBITDA is not a recognized term under IFRS and is not intended to be an alternative either to gross profit or income before taxes as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, the presentation of Adjusted EBITDA may not be comparable to other similarly titled measurements used by other companies. Readers should not consider Adjusted EBITDA in isolation or as a substitute for profit (loss) for the period as determined by IFRS, or as a substitute for an analysis of our Financial Statements.

Reconciliation of Adjusted EBITDA for the three and six months ended May 31, 2021 and May 31, 2020 is as follows:

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
	$	$	$	$
Net loss for the period	(2,643,913)	(494,557)	(5,123,968)	(812,270)
Add:				
Amortization & Depreciation	1,120	25,205	2,147	29,863
Interest	11,193	8,617	20,227	8,617
Adjustments:				
Share-based compensation	1,056,227	201,647	1,816,151	389,506
Loss on investment in associate	11,569	9,152	54,212	9,152
Gain on reclassification of investment	(93,027)	-	(93,027)	-
Adjusted EBITDA	(1,656,831)	(249,936)	(3,324,258)	(375,132)

DISCUSSION ON OPERATIONS

Revenue

For the three and six months ended May 31, 2021, we recognized total revenue of $4,534 and $12,649 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees, which were launched through ecommerce in November 2020.

Our Pharmaceutical Drug Development division and Medical Services division are in a research and development stage and did not generate revenues.

Cost of sales

For the three and six months ended May 31, 2021, we recorded cost of sales of $1,548 and $3,579 from the sales of functional mushroom coffees.

Marketing, publicity and digital media

For the three and six months ended May 31, 2021, we incurred marketing, publicity and digital media costs of $836,216 and $1,639,657, as compared to $78,461 and $95,938 for the same periods of the prior year. Marketing, publicity and digital media expenses included advertising and marketing for the launch of our mushroom infused coffee products and media spent to promote our corporate brand in the preparation of our IPO.

Amortization and depreciation

For the three and six months ended May 31, 2021, we incurred amortization and depreciation expense of $1,120 and $2,147, as compared to $25,205 and $29,863 for the same periods of the prior year. Amortization and depreciation expenses in the current year were primarily related to product formulations which are being amortized over 8 years.

Consulting fees

We are an emerging business which engages consultants and contractors regularly to obtain expertise in various business areas. For the three and six months ended May 31, 2021, we incurred consulting fees of $59,124 and $98,540, compared to $140,626 and $177,376 for the same periods of the prior year.

Information system

For the three and six months ended May 31, 2021, we incurred expenses in information systems of $nil and $1,480 relating to our ecommerce website, as compared to $nil and $1,575 for the same periods of the prior year.

Investor relations

For the three and six months ended May 31, 2021, we incurred investor relations expenses of $127,268 and $223,101 to support our IPO and to expand our visibility within the North American and European investment community. We did not incur such expenses in the same periods of the prior year.

Listing expenses

Listing fees were related to the application and ongoing fees for the listing of our common shares on the CSE. For the three and six months ended May 31, 2021, we incurred listing fees of $5,685 and $12,285. We did not incur such fees in the same periods of the prior year.

Office and administrative expenses

For the three and six months ended May 31, 2021, we incurred office and administration expenses of $121,057 and $233,947 as compared to $10,378 and $10,446 for the same periods of the prior year. The increase in office and administrative expenses was due to an increase in business activity in the current year, as compared to the same periods of the prior year which were the early stages of the business. Office and administrative expenses primarily included insurance fees, broker and filing fees, interest expense and other general office expenses.

Research and development – consumer products

Consumer product research and development included costs of the development of mushroom infused coffee products, which launched in November 2020. For the three and six months ended May 31, 2021, we incurred consumer product research and development expenses of $36,002 and $84,528, as compared to $10,488 and $74,964 for the same periods of the prior year.

Research and development – medical

Medical research and development expenses included costs of our medical research and our preclinical trials. For the three and six months ended May 31, 2021, we incurred medical research and development costs of $171,358 and $439,037 as compared to $2,000 and $2,000 for the same periods of the prior year. The increase was a result of increased activity in developing our medical research segment in the current year.

Professional fees

Professional fees include legal, recruitment, accounting, audit and taxation fees. For the three and six months ended May 31, 2021, we incurred professional fees of $134,672 and $362,154, as compared to $16,600 and $21,450 for the same periods of the prior year. The increase was primarily driven by legal and accounting fees related to the IPO process, as well as recruitment fees to expand the team.

Share-based compensation

As at May 31, 2021, we had 17,055,000 stock options and 7,932,500 restricted share units granted and outstanding for our directors, officers, employees and consultants, and we incurred share-based compensation expense of $1,056,227 and $1,816,151 for the three and six months ended May 31, 2021, as compared to $201,647 and $389,506 for the same periods of the prior year. We expect to continue to utilize stock options, and other forms of equity instruments, to incentivize our teams.

Wages

Wages for the three and six months ended May 31, 2021 were $182,374 and $261,972, as compared to $nil for the same periods of the prior year. The increase in wages was driven by the expansion of the team to support business development and clinical research activities.

Loss on investment in associate

During the three and six months ended May 31, 2021, we recorded a proportionate share of losses from Komo Plant Based Comfort Foods Inc. ("Komo Foods") of $11,569 and $54,212, as compared to $9,152 and $9,152 in the same periods of the prior year.

Gain on reclassification of investment

We had previously recorded our investment in Komo Foods as an investment in an associate of the Company using the equity method.

On May 31, 2021, Komo Foods entered into a merger agreement with Komo Plant Based Foods Inc. (formerly "Fasttask Technologies Inc.") ("Komo YUM") whereby Komo Foods became a wholly owned subsidiary of Komo YUM and all Komo Foods shares were exchanged on a 1-to-1 basis for Komo YUM shares. The transaction was deemed as a reverse acquisition under IFRS 3 Business Combinations.

As a result of the merger, we no longer had significant influence as our ownership decreased to 1.5% of the outstanding shares of Komo YUM at May 31, 2021. In addition to the decreased ownership, we do not have any representation on the board of directors, having no common directors between the Company and Komo YUM. Therefore, we reclassified our investment in Komo YUM as an investment recorded at fair value through profit and loss, instead of an investment in associate.

The carrying value of our investment in Komo YUM as at May 31, 2021 was $31,973 prior to being reclassified as an investment recorded at fair value through profit and loss. The difference between the carrying value of $31,973 and the fair value of $125,000 was recorded as a gain on reclassification of investment of $93,027 on the condensed interim statement of operations and comprehensive loss.

We did not incur such gains in the same periods of the prior year.

Net loss and comprehensive loss

We incurred a net and comprehensive loss of $2,643,913 and $5,123,968 for the three and six months ended May 31, 2021, as compared to $494,557 and $812,270 for the same periods of the prior year. Loss per share on basic and fully diluted basis was $0.02 and $0.06 for the three and six months ended May 31, 2021, compared to $0.00 and $0.01 for the same periods of the prior year.

Dividends

No dividends were declared or paid for the three and six months ended May 31, 2021 and May 31, 2020.

SUMMARY OF QUARTERLY RESULTS

We were incorporated on September 18, 2019. The summary of our quarterly results are as follows:

For the quarters ended:

	Q2 2021 $	Q1 2021 $	Q4 2020 $	Q3 2020 $
Revenue	4,534	8,115	415,803	-
Net loss	2,643,913	2,480,055	1,019,688	845,237
Basic & diluted loss per share	0.02	0.03	0.02	0.01

	Q2 2020 $	Q1 2020 $	Q4 2019 $
Revenue	-	-	-
Net loss	494,557	317,713	1,365,240
Basic & diluted loss per share	0.00	0.00	0.02

LIQUIDITY

		May 31, 2021		November 30, 2020
Current ratio[1]		2.32		0.32
Cash	$	1,782,219	$	1,170
Working capital surplus (deficit) [2]	$	1,324,715	$	(200,703)
Debt[3]	$	-	$	-
Equity (Deficit)	$	1,354,299	$	(777,413)

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities
(3) Debt is defined as any commercial debt.

Cash Position

As at May 31, 2021, we had $1,782,219 in cash. During the six months ended May 31, 2021, we completed our IPO fund raising of $4.6 million in gross proceeds and approximately $1 million from the exercise of warrants and stock options.

During the six months ended May 31, 2021, we spent $3,597,599 of cash in operating activities primarily to finance operating expenses including research and development in both the medical and consumer product divisions, marketing, publicity and digital media, wages, and expenses related to IPO and listing on CSE. Cash used in investing activities was $60,881 for the six months ended May 31, 2021, for the purchase of equipment and financial investments. Cash provided by financing activities was $5,439,529 for the six months ended May 31, 2021, which was primarily from proceeds received from the issuance of units through the IPO and proceeds received from the exercise of warrants and options.

As at November 30, 2020, we had $1,170 in cash. During the year ended November 30, 2020, we spent $853,447 of cash in operating activities primarily to finance operating expenses including those related to IPO and listing on CSE. Cash provided by financing activities was $746,928 for the year ended November 30, 2020, which was primarily from proceeds received from the issuance of units through private placements. We did not have investing activities during this period.

Working Capital

We had a working capital surplus of $1,324,715 as at May 31, 2021, which is primarily due to an increase in cash relating to proceeds from our IPO and proceeds from warrant exercises, as well as an increase in short-term investments, accounts receivable, inventory and prepaid expenses.

We had a working capital deficit of $200,703 as at November 30, 2020, which is due to an increase in accounts payable and accrued liabilities as a result of timing of expenditures and proceeds from financing relating to our operations. Subsequent to November 30, 2020, we raised $4.6 million in gross proceeds from our IPO and almost $1.3 million in proceeds from the exercise of warrants and stock options.

CAPITAL RESOURCES AND MANAGEMENT

As at May 31, 2021, we had cash of $1,782,219. We are authorized to issue an unlimited number of common shares. As at May 31, 2021, there were 123,127,983 common shares issued and outstanding. We had 132,268,650 share purchase warrants outstanding with weighted average exercise price of $0.26. We had 17,055,000 stock options outstanding with weighted average exercise price of $0.21 per share. We also had 7,932,500 restricted share units outstanding.

Our objective is to maintain a strong capital base to support the development of the business including launching products of our own brands through the commercialization of products from over 100 formulas for beverages and wellness products that include edible mushrooms as a key ingredient, as well as the development of our research and clinical trials.

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2021 and November 30, 2020, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and six months ended May 31, 2021 and May 31, 2020, compensation of key management personnel and related parties were as follows:

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Consulting Fees	59,124	31,500	98,540	63,000
Share-based compensation	980,264	192,200	1,596,755	334,734
Wages expense	174,359	–	248,376	–
	$ 1,213,747	$ 223,700	$ 1,943,671	$ 397,734

As at May 31, 2021, we owed $749,945 (November 30, 2020 - $832,675) to our former parent company, Better Plant, which included a promissory note balance of $691,245 (November 30, 2020 - $691,245) for previously advanced payment, bearing interest at 5% compounded annually, and due and payable by October 30, 2021. On February 28, 2020, we entered into an amended agreement on the promissory note from due on demand to due on October 31, 2021. The amendment was treated as an extinguishment of debt in accordance with IFRS 9, Financial Instruments, which resulted in a gain on extinguishment of debt of $106,873 with a corresponding discount to the carrying value of the promissory note. On November 30, 2020, we amended the due date on the promissory note from October 31, 2021 to February 28, 2022. As the modification resulted in a change in the carrying amount of less than 10%, the amendment was treated as a contract modification under IFRS 9 and resulted in additional accretion expense of $59,748 during the year ended November 30, 2020.

Amounts owing also included interest payable balance of $43,614 (November 30, 2020 - $25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining balance of $12,532 (November 30, 2020 - $115,485) is unsecured, non-interest bearing, and due on demand.

During the six months ended May 31, 2021, we incurred marketing expenses of $41,985 (May 31, 2020 - $nil), investor relations expenses of $36,295 (May 31, 2020 - $nil) professional fees of $32,169 (May 31, 2020 - $nil), office & administrative expenses of $33,363 (May 31, 2020 - $nil), and consumer product research and development expenses of $42,067 (May 31, 2020 - $73,486) from Better Plant. Pursuant to an operating agreement dated August 30, 2020, Better Plant provided such services to the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the collectability of accounts receivable, net realizable value of inventory, useful life and carrying value of property, plant and equipment and intangible assets, carrying value of investment in associate and fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

Judgments made by management in the application of IFRS that have a significant effect on the condensed interim financial statements include the factors that are used in determining whether we have significant influence over another entity, and the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

We had previously determined that we had significant influence in Komo Foods despite holding less than 20% of the voting rights in Komo Foods due to sharing a common CFO, and the fact that Komo Foods entered into a license

agreement with us that was a key component of Komo Food's business in prior periods. As a result, Komo Foods was considered an associate of the Company, and our investment in Komo Foods was accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for our proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends. During the six months ended May 31, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed and reclassified its investment to fair value through profit and loss under IFRS 9.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. We have assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our statement of financial position as at May 31, 2021, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, May 31, 2021
Marketable securities	$ –	$ 125,000	$ –	$ 125,000
Short-term investments	57,500	–	–	57,500
	$ 57,500	$ 125,000	$ –	$ 182,500

The fair values of financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties, and promissory note payable approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. Our credit risk is primarily attributable to accounts receivable. We minimize our credit risk associated with our cash balance by dealing with major financial institutions in Canada and we have no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

We are not exposed to any significant foreign exchange rate or interest rate risk.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We manage liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

Price Risk

We are exposed to price risk with respect to our investments, which consists of common shares held in private companies and are dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to NeonMind, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting ("ICOFR")

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of NeonMind;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

SUBSEQUENT EVENTS

Subsequent to May 31, 2021, we issued 500,000 Agent's Option Shares and 500,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $50,000. Each Agent's Option entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $39,702 was transferred from equity reserves to share capital upon exercise.

Subsequent to May 31, 2021, we issued 1,237,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $105,188 was transferred from equity reserves to share capital upon conversion.

On June 29, 2021, our line of functional mushroom coffee products was launched in the US as dietary supplements via our direct-to-consumer website.

On July 20, 2021, we issued 350,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over twelve months in four equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, we issued 1,450,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over thirty months in ten equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, we issued 1,000,000 stock options to senior officers, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest in full four months after the grant date.

On July 26, 2021, we granted 200,000 restricted share units to an advisor. 50% of the restricted share units vest four months after the grant date, and the remaining 50% vest twelve months after the grant date.

On July 26, 2021, we cancelled 470,000 unvested restricted share units previously issued to employees of the Company.

On July 26, 2021, we issued 120,000 stock options to a consultant, which are exercisable at a price of $0.14 per share for a period of five years. The stock options vest over twelve months in four equal tranches.